

Message Text

CONFIDENTIAL

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72

ACTION EB-11

INFO OCT-01 ARA-11 ADP-00 AID-20 NSC-10 RSC-01 CIEP-02

TRSE-00 SS-15 STR-08 OMB-01 CEA-02 CIAE-00 COME-00

FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06 SIL-01

SSO-00 INRE-00 PA-03 PRS-01 USIE-00 NSCE-00 RSR-01

/125 W

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O 172355 Z APR 73

FM AMEMBASSY SANTIAGO

TO SECSTATE WASHDC IMMEDIATE 4073

C O N F I D E N T I A L SANTIAGO 1687

E. O. 11652: GDS

TAGS: BDIS, CI

SUBJ: CERRO

PASS OPIC AND EXIM

1. SUMMARY: CERRO VP WALSH REPORTED THAT HE HAD NOT YET BEEN SUCCESSFUL IN MEETING WITH ARRATE, INOSTROZA, OR SOTO SINCE MEETING WITH AMBASSADOR LAST WEEK DESPITE EFFORTS TO REACH THEM DIRECTLY AND THROUGH AMB LETELIER. MURPHY NOW SENDING PERSONAL CABLE TO ALLENDE IN ATTEMPT TO BRING MATTER TO A HEAD. LAWYERS HAVE VIRTUALLY COMPLETED DOCUMENTS WITH ONLY FOUR OR FIVE POINTS REMAINING TO BE DECIDED BY GOC. ACCORDING TO WALSH, MEETING SET FOR TOMORROW BETWEEN ALLENDE AND GOC MEMBERS OF NEGOTIATION COMMISSION TO SETTLE THESE ISSUES. CERRO APPARENTLY PLANNING TO SIGN DOCUMENTS ASAP BUT WITHOUT MAKING EFFECTIVENESS SUBJECT TO EXIM APPROVAL. AMBASSADOR CAUTIONED WALSH IN LIGHT OF EXIM POSITION AND FACT THAT SIGNING OF AGREEMENT WHICH THEN FAILED OF PERFORMANCE COULD HAVE BROADER CONSEQUENCES. RENEWAL OF DISCUSSIONS BETWEEN CERRO AND EXIM IN EFFORT TO ACHIEVE UNDERSTANDING WOULD APPEAR DESIRABLE. END SUMMARY

2. CERRO VICE PRES PHILIP WALSH MET WITH AMB TODAY TO PROVIDE
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RUNDOWN ON CERRO SITUATION AND TO REQUEST ADVICE AS TO POSSIBLE NEXT STEPS. AFTER LAST WEEK'S MEETING (SANTIAGO 1563) WALSH WAITED 24 HOURS AND THEN SENT WHAT HE DESCRIBED AS THE POLICY WE HAVE SOUGHT TO:

- ENCOURAGE PEACEFUL RESOLUTION OF TERRITORIAL DISPUTES AMONG REGIONAL STATES AND THE OPENING OF CHANNELS OF COMMUNICATION AMONG THEM;
- SUPPORT A REASONABLE EXPANSION AND MODERNIZATION OF REGIONAL DEFENSE FORCES, PARTICULARLY THOSE OF IRAN AND SAUDI ARABIA;
- URGE THE OIL- PRODUCING STATES OF THE REGION WITH SURPLUS CAPITAL TO INCREASE THEIR ECONOMIC ASSISTANCE TO JORDAN AND OTHER ' HAVE- NOT' COUNTRIES OF THE MIDDLE EAST.

FUTURE REGIONAL ISSUES. MANY UNCERTAINTIES STILL EXIST IN THIS DEVELOPING REGION. POLITICAL RELATIONS AMONG THE STATES OF THE REGION AND THE OUTSIDE WORLDS ARE STILL EVOLVING. THE RAPID PACE OF ECONOMIC AND SOCIAL CHANGE HAS BEEN UNSETTLING, PARTICULARLY IN THE SMALLER GULF STATES ONLY RECENTLY TRANSFORMED FROM SLEEPY FISHING PORTS INTO BUSTLING BOOMTOWNS BY THE MAGIC OF OIL.

FOR THE UNITED STATES THIS SITUATION OFFERS CONSTRUCTIVE OPPORTUNITIES AS WELL AS COMPLEX PROBLEMS. OLD RELATIONSHIPS WILL BE CHALLENGED AS COUNTRIES IN THE AREA MOVE TO ASSERT GREATER NATIONAL CONTROL OVER THEIR OIL AND OTHER RESOURCES AND WORK OUT NEW RELATIONS WITH THE INTERNATIONAL OIL COMPANIES AND CONSUMER COUNTRIES.

IT WILL CONTINUE TO BE AN IMPORTANT INTEREST OF THE UNITED STATES THAT WE AND OUR ALLIES HAVE EQUAL ACCESS ON REASONABLE TERMS TO THE OIL OF THIS REGION AND TO ITS OTHER EXPANDING MARKETS.

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WE ALSO WILL WANT TO ATTRACT INVESTMENT OF SURPLUS OIL REVENUES IN THE UNITED STATES TO AVOID AN IMBALANCE OF PAYMENTS AS OUR IMPORTS OF MIDDLE EAST OIL INCREASE.

SINCE SOURCES OF FRICTION CONTINUE TO EXIST IN THE AREA, ESPECIALLY BETWEEN ADEN AND ITS NEIGHBORS, THE THREAT TO REGIONAL TRANQUILITY REMAINS. WE WILL WANT TO ENCOURAGE

REGIONAL COLLECTIVE SECURITY MEASURES THAT WILL DETER
HOSTILITIES AND AVOID ALL OUTSIDE INTERFERENCE. IN THE
INTEREST OF REGIONAL STABILITY, WE WILL SEEK NEW MECHAN-
ISMS FOR ASSISTING THOSE COUNTRIES WHICH ARE TOO RICH TO

BE AN AID RECIPIENT, BUT NOT YET FULLY DEVELOPED, TO USE
THEIR HUMAN AND NATURAL RESOURCES EFFECTIVELY IN FURTHER-
ING THE WELFARE OF THEIR PEOPLES. ROGERS

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*** Current Classification *** CONFIDENTIAL

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